

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2880-02
Bill No.: HB 887
Subject: Economic Development Dept.; Licenses - Professional
Type: Original
Date: February 16, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated	(\$2,812)	\$15,831	\$13,681
Total Estimated Net Effect on <u>All</u> State Funds	(\$2,812)	\$15,831	\$13,681

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety (DPS) - Missouri State Water Patrol, DPS - Capitol Police, Department of Revenue, Department of Economic Development - Division of Professional Registration** and **Office of State Public Defender** assume the proposal will have no fiscal impact on their organizations.

Officials from the **DPS - Missouri State Highway Patrol (MHP)** assume that their department will not be involved in the training of the agents. Therefore, the MHP anticipates the proposal will have no fiscal impact on their organization.

Officials from the **Office of Prosecution Services** assume costs associated with the proposal can be absorbed within current funding levels.

Officials from the **Office of Administration - Administrative Hearings Commission** state they anticipate this proposal will not significantly alter their caseload or result in additional costs. However, if other similar proposals also pass, there are more cases, or the cases are more complex, there could be a fiscal impact.

Officials from the **Department of Corrections (DOC)** state the DOC cannot predict the number of new commitments which may result from the creation of the offenses(s) outlined in this

ASSUMPTION (continued)

proposal. An increase in commitment depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in operational cost through either incarceration (FY 03 average of \$38.10 per inmate per day or an annual cost of \$13,907 per inmate) or through supervision provided by the Board of Probation and Parole (FY 03 average of \$3.15 per offender, per day or an annual cost of \$1,150 per offender per year).

DOC assumes the narrow scope of the crime will not encompass a large number of offenders. The low felony status of the crime enhances the possibility of plea-bargaining or the imposition of a probation sentence. The probability also exists that offenders would be charged with a similar but more serious offence of that sentences may run concurrent to one another.

Supervision by the DOC through probation or incarceration would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Officials from the **Office of State Courts Administrator (CTS)** state the proposed legislation would make changes to the bail bondsmen licensing provisions. The legislation would allow recognizance bonds only when the defendant is a local resident, has no prior convictions for failure to appear, and specifies when bonds can be forfeited and remitted to the surety.

Officials state the CTS does not have reliable data on the number of bail bonds. The proposal may cause more work for the clerk to mail out the notice by certified mail. A larger issue is the return of the bond forfeiture to surety. The courts turn that money over to the county treasury, and they in turn distribute the money to the schools. The courts will not have money two years later to refund back to the surety. In addition, most of the individuals who fail to appear in court are only convicted on the original charge, not on the failure to appear.

The CTS states it are not able to provide an estimate of the possible fiscal impact of this proposal.

Officials from the **Department of Insurance (INS)** state Missouri currently has 836 bail bond agents, 80 general bail bond agents and 34 bail bond corporations. If a bail bond agent performs his own fugitive recovery, then they would be required to be licensed as a surety recovery agent. Based on these totals, INS is estimating that approximately 1,000 surety recovery agents may become licensed.

ASSUMPTION (continued)

Based on the anticipated number of surety recovery agents, the Licensing Section would need one (1) additional FTE as a Licensing Tech. I. This position would be responsible for processing applications, reviewing 40 hours of courses taken as part of application, producing licenses, mailing renewals, answering phone and correspondence inquiries, related data entry and other clerical work related to this license. If number of surety recovery agents surpasses this estimate, additional staff may be needed.

The INS is also requesting one (1) Investigator II to investigate complaints against surety recovery agents and to review applications of existing licensees as needed for violations, suspensions or revocations.

The INS assumes that the examination process will be contracted out and the applicant will be responsible for paying the cost of examination directly to contractor. A copy of photo identification is part of application requirements, but the INS assumes a standard license without photo will be issued to licensee.

Application fees and renewals are to be set by the INS. The application and/or renewal fee is estimated to be \$200 for a biennial license. This would generate \$100,000 per year if those who do not renew are offset by new applications. Fees will be deposited into the Insurance Dedicated Fund. Licensing would occur on a two-year cycle but revenue is shown on a yearly basis as all applications and renewals will not occur on the same cycle.

Oversight has, for fiscal note purposes only, changed the starting salary for Licensing Tech I and Investigator II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials from the **Office of the Secretary of State (SOS)** state this proposal amends the requirements for licensure of bail bond agents and requires licensure of surety recovery agents. The Department of Insurance may promulgate rules to implement this legislation. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Insurance could require as many as 25 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends

ASSUMPTION (continued)

upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$1,550 [(25 pp x \$27) + (38 pp x \$23)].

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

This proposal would result in an increase in Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Licensing and renewal fees	\$50,000	\$100,000	\$100,000
<u>Costs - Department of Insurance</u>			
Personal Service Costs (2 FTE)	(\$25,873)	(\$53,040)	(\$54,366)
Fringe Benefits	(\$10,711)	(\$21,959)	(\$22,508)
Equipment and Expense	(\$16,228)	(\$9,170)	(\$9,445)
Total <u>Costs</u> - Department of Insurance	(\$52,812)	(\$84,169)	(\$86,319)
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$2,812)</u>	<u>\$15,831</u>	<u>\$13,681</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
SCHOOL DISTRICTS			
<u>Loss - School Districts</u>			
Return of Bond Forfeiture Moneys	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET IMPACT ON SCHOOL DISTRICTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

The proposal could have an impact on small bail bondsmen and surety recovery businesses.

DESCRIPTION

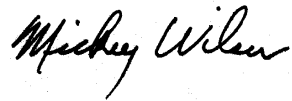
This proposal contains provisions regarding bail bond and surety recovery agents. The proposal: (1) Requires any person wishing to practice as a bail bond and surety recovery agent in the state to be licensed with the Department of Insurance; (2) Prohibits licensed bail bond agents from issuing appearance bonds without a valid appointment from a general bail bond agent; (3) Requires bail bond agents to be employed by no more than one general bail bond agent at a time; (4) Requires any person wishing to become a general bail bond agent to be licensed as a bail bond agent for at least four years; (5) Requires all applicants for licensure as bail bond agents to provide evidence that they are Missouri residents, have a high school diploma or its equivalent, and are at least 21 years of age; (6) Requires licensees to maintain records and file a power of attorney form with the department; (7) Allows the department to establish reciprocal agreements with other states for the licensing of bail bond and surety recovery agents; (8) Authorizes the department to file complaints with the Administrative Hearing Commission, suspend or revoke licenses, or enter into agreements for monetary or other penalties in lieu of filing complaints against surety recovery agents; (9) Requires applicants for licensure as a surety recovery agent to be United States citizens, have a high school diploma or its equivalent, be at least 21 years old, and complete 40 hours of approved training; and (10) Allows surety recovery agents to detain subjects in a lawful manner and to execute apprehension of a subject if the surety agent has probable grounds to believe that the terms of the surety agreement have been breached. Surety agents may not detain a subject for more than 72 hours prior to delivery to the authorized jurisdiction.

The proposal contains penalty provisions.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
 Administrative Hearings Commission
Office of State Courts Administrator
Department of Economic Development -
 Division of Professional Registration
Department of Corrections
Department of Revenue
Department of Public Safety -
 Missouri State Highway Patrol
 Missouri State Water Patrol
Department of Insurance
Office of Prosecution Services
Office of Secretary of State
Office of State Public Defender



Mickey Wilson, CPA
Director
February 16, 2004